

Comparative Study of Consumer Buying Behavior Towards Medicine: Online v/s Offline

By

Ankit Jangid

*Dissertation submitted for the partial fulfillment of the
MBA Pharmaceutical Management*

Academic year, 2016-2018



The IIHMR University, Jaipur

1, Prabhu Dayal Marg, Sanganer, Airport
Jaipur 302029, Rajasthan
Ph: 0141 3924700, Fax: 3924738
Website: www.iihmr.edu.in

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Jaipur 302029, Rajasthan
Ph: 0141 3924700, Fax: 3924738
Website: www.iihmr.edu.in

TO WHOMSOEVER MAY CONCERN

This is to certify that Mr. Ankit Jangid student of Pharmaceutical from The IIHMR University, Jaipur has undergone internship training at Woodrock Healthcare Private Limited from 26th February 2018 to 19th May 2018.

The Candidate has successfully carried out the study designated to him during internship training and his approach to the study has been sincere, scientific and analytical.

The Internship is in fulfilment of the course requirements.

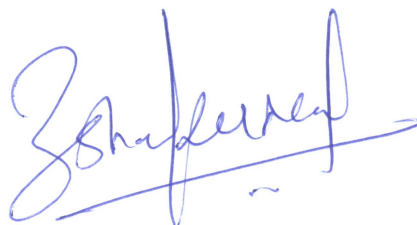
I wish him all success in all his future endeavours.



Dr. Ashok Kaushik

Dean, Academics and Student Affairs

The IIHMR University, Jaipur



Dr. Ashok Peepliwal

Associate Professor

The IIHMR University, Jaipur



TULIP DIVISION

WOODROCK HEALTHCARE PRIVATE LIMITED

Marketing Office : F-1, 2nd floor, 55, B.R.B. Basu Road, Kolkata- 700 001

Phone : (033) 22342763, 2235 6553

E-mail : care@woodrockcare.com

Visit us at : www.woodrockcare.com

TO WHOM IT MAY CONCERN

This is to certify that Mr. Ankit Jangid has undergone Dissertation at Woodrock Healthcare Private Limited (Market Research Department) From 26th February 2018 to 19th May 2018. His Dissertation work involves "A Comparative study of customer buying behaviour towards medicines : Online v/s Offline"

The candidate has successfully carried out the study assigned to him while working as an "Intern" for the period of twelve weeks. His approach to the study has been sincere, analytical and scientific.

This letter is being provided at the express request of the intern for his Dissertation.

We wish him all the success in all his future endeavours.

Yours faithfully,

For Woodrock Healthcare Private Ltd.

Director

CERTIFICATE BY SCHOLAR

This is to certify that the dissertation titled “A Comparative Study on Consumer Buying Behaviour Towards Medicines: Online v/s Offline” and submitted by Mr. Ankit Jangid Enrolment No IIMMR-U/02/2016-18/0063 under the supervision of Dr Ashok Peepliwal for award of MBA in Pharmaceutical Management of the University carried out during the period from 26th February 2018 to 19th May 2018 embodies my original work and has not formed the basis for the award of any degree, diploma associate ship, fellowship, titles in this or any other institute or other similar institution of higher learning.



Signature



Abstract

This study titled “A Comparative Study of Consumer Buying Behaviour Towards Medicines: Online v/s Offline” has been conducted in Jaipur. The buying behaviour of customers was evaluated based on six attributes that customers take care about before buying medicines from online and offline pharmacy. The six attributes are Availability of medicines, Price of medicines, Accessibility to medicines, Quality of medicines, Customer relationship and the acceptability of seller to accept unused medicines.

Objectives:

Primary objective

- To find out the importance of various attributes for customers while buying medicines online and offline.
- To find out the gaps between online and offline pharmacy business.
- To find out what attribute has the highest ranking and lowest ranking according to customer's perception.

Research methodology:

This study is a Cross Sectional study which was completed in the duration of three months by interviewing 200 respondents with the help of Fully structured questionnaire. Purposive sampling technique was used for this study. And the analysis of data was done on Microsoft Excel software.

Results:

- The price of medicines has the highest mean value 8.20 and has highest importance, and the acceptability of unused medicines has the lowest mean value 4.03. so, we can say that when customers buy medicines from online pharmacy, customers focus at the price first as most of the online pharmacy attract customers with high discount, cashback offers and various discount coupons.
- While buying medicines from offline pharmacy the availability of medicines has the highest mean value 8.16 and has highest importance, and price medicines has the lowest mean value 5.34. so, we can say that when customers buy medicines from offline pharmacy, customers focus at the availability of medicines first as most of the offline pharmacies store all the medicines prescribed by nearby doctors at their range of area and they are least focused at

price of medicines because there are very few pharmacies give discount on prescription medicines.

- four attributes (Availability of medicines, Accessibility, Quality of medicines and acceptability of unused medicines) of offline pharmacy have higher rating compared to same attributes of offline pharmacy. So, these are the attributes that online pharmacies should work at to fill the gap and make online business of medicines a greater success. Where if we see that accessibility to get medicines has the minimum gap of 0.40 which is easiest to fill and followed by availability of medicines 0.83, Quality of medicines 1.07 and finally the difficult gap to fill is their acceptability to accept unused medicines 2.93.

ACKNOWLEDGEMENT

First, I would like to thanks my parents for allowing me to realize my potential. All the support they have provided me over the years was a greatest gift anyone has ever given me.

Next, I need to thank **Woodrock Healthcare Pvt. Ltd.** for giving the opportunity to complete my project in the organization and **The IIHMR University** for placing me in such a wonderful organisation. I would also like to thank my university mentor **Dr Ashok Peepliwal** and my organisational mentor **Mr. Anoop Agarwal** who guided me about my project, shared their knowledge, suggested me the way for preparing my report and helped me to complete the summer training.

I also need to thank all the Faculty Members of The IIHMR University, Jaipur for making me understand their work, teaching me the procedures.

I am greatly thankful to **Mr Abhishek Laddha** and **Mr. Pranav Keshan** who have helped me directly or indirectly in completing the training.

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1.1 Introduction:

1.1.1 Online Pharmacy

Online pharmacies, Internet pharmacies or Mail Order pharmacies are the pharmacies that operate over the internet and send the orders to customers. Online or internet pharmacies might include -

- Pharmacy benefit manager- A large administrator of corporate prescription drug plans.
- Legitimate internet pharmacy in the same country as the person ordering.
- Legitimate internet pharmacy in different country than the person ordering. This pharmacy usually is licensed by its home country and follows those regulations, not those of the international orders.
- Illegal or unethical internet pharmacy.

Conventional stationary pharmacies usually have controlled distribution system from the manufacturer. Validation and good distribution practices are followed. Home delivery of pharmaceuticals can be desirable convenience but sometimes there can be problems.

The shipment of the drugs through the mail and parcel is sometimes a concern for temperature sensitive pharmaceuticals. Uncontrolled shipping condition can include high and low temperature outside of the listed storage conditions for the drugs. For example, the USFDA found the temperature in the mail box in the sun can reach 136° F while the ambient air temperature was 101° F.

Shipment by the express mails and couriers reduces transit time and often involve delivery to the door, rather than a mail box. The use of insulated shipping containers also helps to control the drug temperatures, reducing risks to the drug safety and efficacy. There are several risks and concerns associated with the online pharmacies like-

- Illegal or unethical pharmacies sometimes send outdated, substituted or counterfeit medications.
- Sometimes an online pharmacy may not be in country that is claimed. For example, one study of the drug shipment claiming to be from Canada revealed many originated in several different countries and was often bogus medications.
- Minors or children can order controlled substances without adult supervision.

- Other concerns include potential lack of confidentiality, improper packaging, inability to check for drug interactions, and several other issues.

Legitimate mail order pharmacies are somewhat like community pharmacies; one primary difference is the method by which the medications are requested and received. Some customers consider this to be more convenient than travelling to the community drug store, in the same way as ordering goods online rather than going to a shop.

While many internet pharmacies sell prescription drugs only with a prescription, some do not require a pre-written prescription. In some countries, this is because prescription is not required. Some customers order drugs from such pharmacies to avoid the cost and inconvenience of visiting a doctor or to obtain medications their doctors were unwilling to prescribe. People living in United States and other countries where prescription medications are very expensive may turn to online pharmacies to save money. Many of the reputable websites employ their own in-house physician to review the medications request and write a prescription accordingly. Some websites offer medications without a prescription or a doctor review. This practice has been criticized as potentially dangerous, especially by those who feel that only doctors can reliably assess contraindications, risks/benefits ratios, and the suitability of a medications for a specific individual. Pharmacies offering medications without requiring a prescription and doctor review or supervision are sometimes fraudulent and may supply counterfeit and ineffective and possibly dangerous medicines.

Online pharmacies generally are the part of the retail industry. Online pharmacy mode of business is termed as e-commerce. Online pharmacy is like an online shop whereby consumers directly buy goods or services from a seller over the internet without an intermediary service. An online shop, e-shop, e-store, Internet shop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks and mortar retailer or shopping centre. The process is called business to consumers online shopping. When a business buys from another business it is called business to business online shopping. Customers who generally purchases online must have access to computer and method of payment. In general, higher levels of educations, income and occupation of the head of household correspond to more favourable perceptions of shopping online. Also, increased exposure to technology increases the probability of developing favourable attitudes towards new shopping channels. In December 2011 study

equation research found that 87% of the tablets users made an online transaction with their tablets device the early holiday shopping season.

Different firms adopt different strategies for marketing of their products. With the advancements of technology, the e-business is sprouting up. Many firms have extended their service area through use of internet to millions of consumers. Also, to be noted that in recent year's many firms had started doing business through online medium only. These are generally online firms.

1.1.2 Indian Online Retail Industry Today

In India retailing is one of the important pillars of economy and accounts for 13% of GDP. The retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retails chains, and the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors.

The retail business in India is currently at the point of inflection. Rapid change with investments to the tune of US\$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is huge industries in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US\$ 395.96 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US\$ 65-75 billion) in next 5 years.

In Indian now the e-commerce activities have spread across the country not only to the Metros but also to the prominent tier-II cities and towns which are witnessing a pickup in online retailing activities and increased transaction values. The global research and advisory firm Forrester's latest research report titled 'Asia Pacific Online Retails Forecast, 2011 to 2016, has noted that e-commerce in a rapidly growing market like India will grow at compound annual growth rate of 57% annually for the next four years. By 2016, Ecommerce sales will surpass \$ 8.8 billion. In 2012 itself, the e-commerce sales in India will surpass \$ 1 billion. The report has cited that rising consumers demand and

increasing penetration of technology in India is the growth driver for e-commerce, which is here to stay.

In comparison local pharmacy shops which comes under Indian retail market is one of the major contributors in growth of the retail industry in India. The current pharmacy retail market size is estimated to be of US \$ 4.5 billion and it is expected to grow to US \$ 8.7 billion by 2010. Pharmacy retail is growing at the rate of 20-25% annually. The organised pharmacy retail chain is dominated by 12-15 big players. There are more than 3500 organised retail pharmacy outlets in India and it is expects to grow to 10,000 by the end of 2010. The organised pharmacy retail market is dominated by big industrial houses like Ranbaxy's (Fortis), Pantaloon(Tulsi), Reliance Retail's (Reliance Health and pharma) and Subhiksha as well as health care players like Apollo Hospitals Group's (Apollo Pharmacy), Medicine Shoppe, Zydus Cadila's (Dial for health), Sagar Drugs and pharmaceuticals (Planet Health), Morepan's (Life Springs), Lifetime Healthcare (Life ken), Global Healthcare (98.4), Guardian Lifecare's (Guardian pharmacy), MedPlus to name a few.

Current scenario of online retail pharmacies in India is that they are still very few in foreign nations the concept of online pharmacy is very popular. People generally purchase their prescription medicines through online retail pharmacies. Since about the year 2005, a growing number of internet pharmacies have been established worldwide. Many of these pharmacies are like community pharmacies, and in fact, many of them are operated by brick-and-mortar community pharmacies that serve consumers online and those that walk in their

door. The primary difference is the method by which the medications are requested and received. Some costumers consider this to be more convenient and private method rather than travelling to the drug store where other customers might overhear about the drugs that they take. Internet pharmacies are also recommended to some patient by their physicians if they are homebound.

Challenges to online pharmacies in India:

- To operate legally online, pharmacies must be licensed in every state in which sales occur. Although online pharmacies provide benefits to consumers, when compared with traditional pharmacies patient's safety may be compromised.

- Purchasing prescription drugs online may pose a risk to consumers because they cannot tell whether the site is offering drugs of the same quality offered by a retail pharmacy.
- There is also a possibility that prescription drugs purchased online may be counterfeit, illegal or unapproved.
- Due to widespread anonymous and ever-changing nature of internet it is difficult to regulate the content on Internet. In India also, the regulation on Internet is not such which may curb the opening of illegal online pharmacies or stores.
- In community pharmacies or local pharmacy shops physical interaction with pharmacist is common with verification and clarification taking place, this is not the case with online pharmacies.

Different customers have different buying behaviour. Perception varies from consumers to consumer. In India the concept pharmacy is new. People now have different set of lifestyles. The growing internet business market has opened the opportunity gates for the establishments of online pharmacies. But what people will perceive and how they respond to the concept is measurable phenomenon. For any business to grow building relation is very important. By measuring perception of customers, to know whether the online pharmacy is a worthy idea or not is very important.

1.2 Literature Review

The study by Richard Francis Lowe and Dominic Montagu (Legislation, regulation and consolidation in the retail pharmacy sector in low-income countries; Southern Med Review Vol 2 Issue 2 sep 2009) in India two main pieces of legislation pertain to retail pharmacy, Drugs and cosmetics Act 1940 and Pharmacy Act 1948. In India the independent pharmacy chains, came into existence in 1997 and have grown after 2000. The study shows that in India there are around 1500-2000 pharmacies. Despite the tremendous interest in the area the expansion has slowed down due to increasing cost of retail real estate, overall shortage of qualified pharmacist and rising salaries. The retail chains growth in recent times has created friction with the individually owned pharmacies, prompting the latter to organise against the perceived threat from the large retailers.

According to a review from the article- Facts about Online Retail Pharmacy, Online Pharmacies are the easy ways to get drugs: In the present days, this is the new methods by which many people are purchasing medications. Online Pharmacies are very easy and convenient way of purchasing medications. Customers can enjoy many benefits when they order medicines from these online pharmacists. Many of these online retail stores offer medications at very low prices which is affordable by everyone.

In the article: Pharmaceutical distribution in India; Biopharm International www.biopharminternational.com September 2008, it is reported that organized retail pharmacies are in nascent stage in India. The organized retail pharmacies however retail system will help pharmaceutical companies to offer medicines at higher margins. According to report it is speculated that retailers may even be able to pass on the cost benefits to end users.

According to the report by McKinsey & Company, India pharma 2015: Unlocking the potential of Indian Pharmaceutical Market, in recent times the pharmaceuticals industry has shown high interest in India due to its sustained economic growth, healthcare reforms and patent related legislation. Real average household income in India has roughly doubled over the past two decades. In the meantime, the disease patterns in India have undergone a shift. The incidence of chronic disease has increased due to increased stressful lifestyle patterns. Due to change in income status and shifting disease patterns the total consumers spending on healthcare products and services grew at a CAGR of 14

% from 2000 to 2005. During this period the pharmaceutical industry grew at a CAGR of 9 %. From the study McKinsey has reported that if the growth of Indian economy continues, the pharmaceutical market will triple to USD 22 billion by 2019.

In the report: Improving online pharmacy experience by Kunal Puri and Parag Damle, Infosys, it is shown that online prescription drug sales clock over \$ 5.6 billion per year and are consistently growing at faster rate than in store sales. But still online drug sales constitute only a small percentage of overall prescription. Sales. The key factor for high volume of in stores sales is patient immediate need for medications, which can only be met in store. One of the important reason for the relatively lower online drug sales the inconvenience associated with most pharmacy retailer websites. According to this white paper online pharmacy customers are generally technology optimist who purchase other products and services online such as electronics, appeals. Most online pharmacies offer these functionalities like viewing of drugs information's and drugs interactions, ordering refills, scheduling of auto refills, transferring prescription from other pharmacy chains, Offering Medicare plans. These websites are cumbersome to use, often overloaded with item and information. For improving online pharmacy retailing experience, retailers can provide value added services to the customers like customized offer for every customers according to his/her medical requirements, an online chat with the pharmacist's options, appointments scheduling with the pharmacists, manufacturing discount coupons, price match/lowest price guarantees. An improved online experience can enable customers to tap into desirable demographic of online customers.

The research article on: Study on the customer perception of planet health retail pharmacy chain store at Ahmedabad City by Sunil Patel, Himanshu Barot, Keyur Darji, Report that customers perceptions for the retail store includes many attributes. In case of retail store, store décor, and ambience The conclusion of the study shows that as far as CRM and store ambience is concern, they are managed properly, while the product range should extend vertically and horizontally. While testing the hypothesis, it was found that the customer perception towards planet health was on the positive side. Thus, the management is making the right moves towards better customer satisfaction.

According to the article Influencing Costumers perception of value and quality, marketing is one the most powerful forces today. It influences consumers purchase behaviour by solidifying the idea that such products are essentials to their daily lives. In additions to the encouraging brand loyalty marketing can also be in the important tool in

influencing consumer perception of value and quality. Packaging is one of the such tool used by marketers to influence the customers perceptions. The emotional connections consumers have with the products attributes associated with the products which impact the customer perceptions towards a particular products and services.

According to the study conducted by the Rajesh Rajguru and Margaret: Consumers perception of the store and products attributes and its effects on consumers loyalty within the retails sectors, Store and products attributes determine consumers loyalty and product price negatively impact the costumer loyalty. Indian consumers are more concerned about the service quality, store convenience, products quality and availability of new products. According to study, retail managers must assure quality availability of new products to enhance customers loyalty.

1.3 Objectives of the study-

The Survey was conceptualised to find answers to the following questions:

- 1) What proportion of samples have heard of Online Pharmacy?
- 2) What proportion of samples have ever bought medicines online?
- 3) What proportion of samples prefer to medicines online?
- 4) What are the most important attribute based on consumer importance while buying medicines online and offline?

Based on the questions posed above, following objectives were set for the Survey:

- 1) What are the gaps between Online and Offline Pharmacy Business?
- 2) What Attribute has highest rating and ranking?
- 3) What attribute has lowest ranking and rating?
- 4) Identify possible causes of findings.

1.4 Methodology:

Study Type: Cross Sectional study

Study Duration: Three Months.

Analysis Software: MS-Excel

Data Collection Tool: Fully structured Questionnaire

Sampling Technique: Purposive Sampling

Sample Size: Sample size of 200 was taken for study. Interview was conducted by the means of fully structured questionnaire for the purpose of data collection.

1.5 Result

1.5.1 Selection of sources

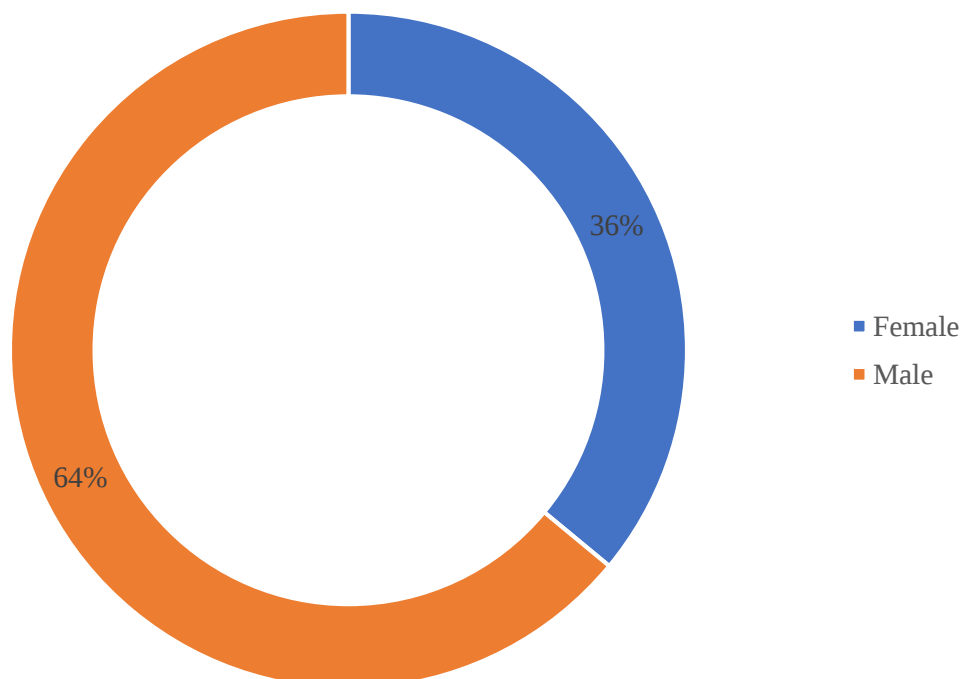
In this study we have covered all literate people categories like people acquired Secondary, Higher Secondary and Graduation or higher level of education. The reason behind selecting these three categories was to understand the perception towards online and offline pharmacy and to know the importance of various attributes according to all three categories.

1.5.2 Sex wise distribution of Samples

A total of 200 respondents were interviewed. Henceforth, we have tried to find both male and female respondents as well as all three education level categories.

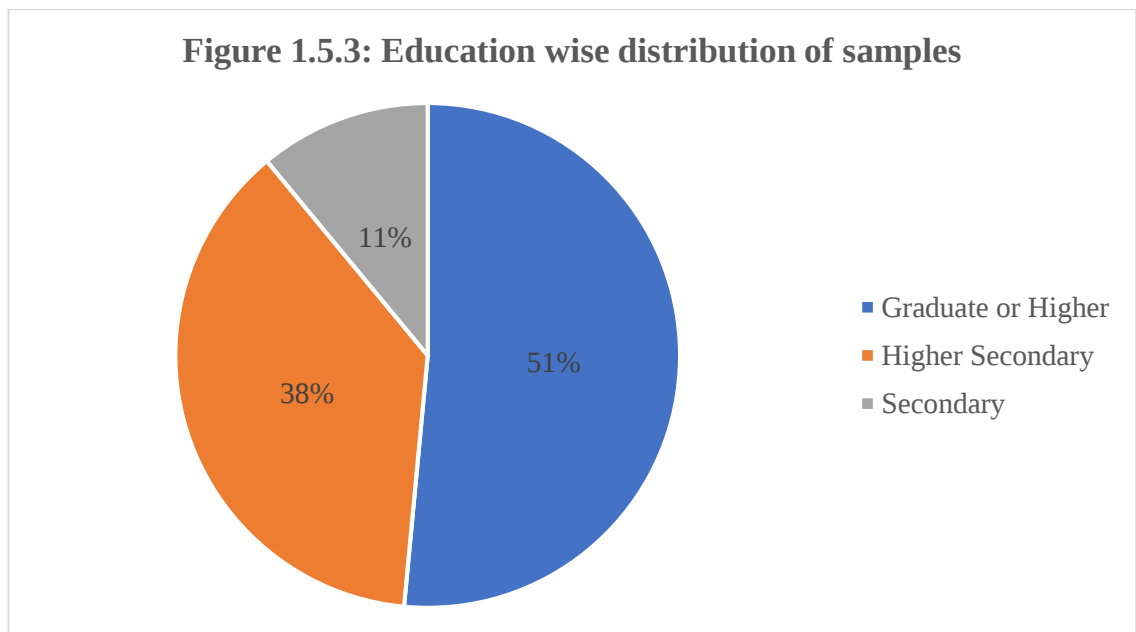
Out of the 200 samples under the survey, 128 or 64% samples were male and 72 or 36% samples were female.

Figure 1.5.2: Sex wise distribution of Respondents



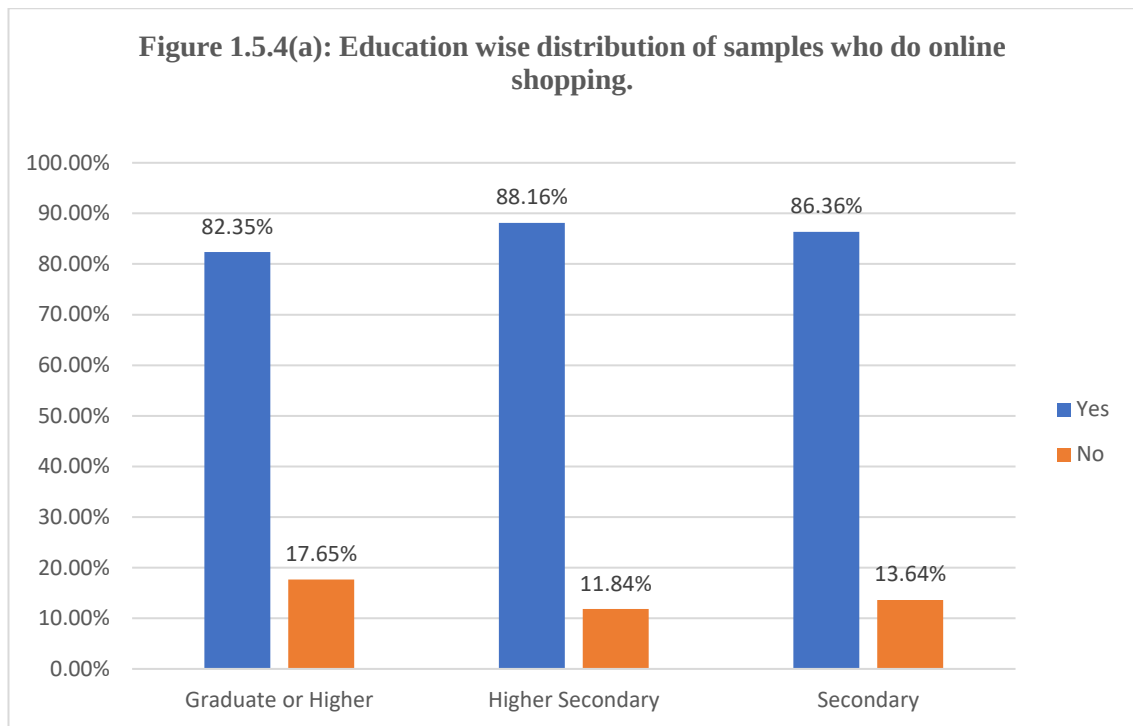
1.5.3 Education wise distribution of samples under the survey

Education has direct or indirect bearing on the lifestyle preferences and choices of an individual. Therefore, it is important to know details of highest level of education completed. The findings from the study reflects that 102 (51%) of the sample size had acquired graduation or higher level of education which is the maximum and 22 (11%) of the sample size had acquired Secondary level of education which is the minimum. And rest 76 (38%) samples had acquired Higher Secondary education.

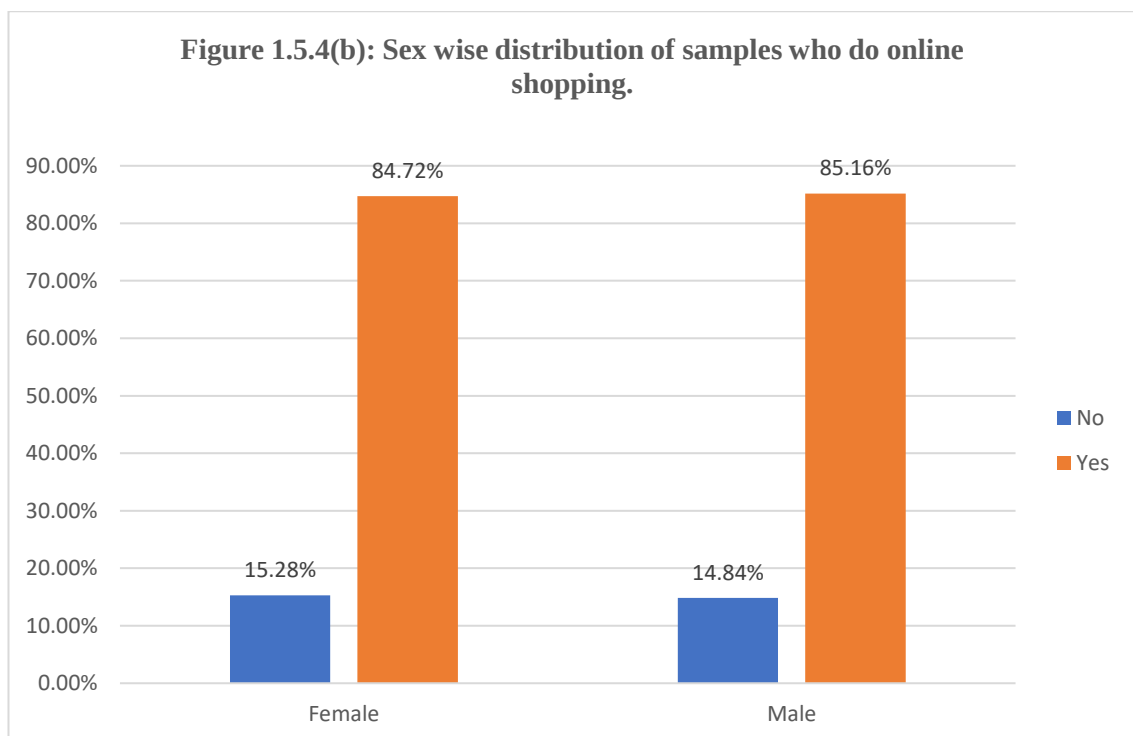


1.5.4 Distribution of samples who do online shopping.

In the figure 1.5.4(a) individual education category is considered as 100% and out of that individual category there are two types of samples divided, one who do online shopping and another one who do not do online shopping. And the figure 1.5.4(a) shows the results.

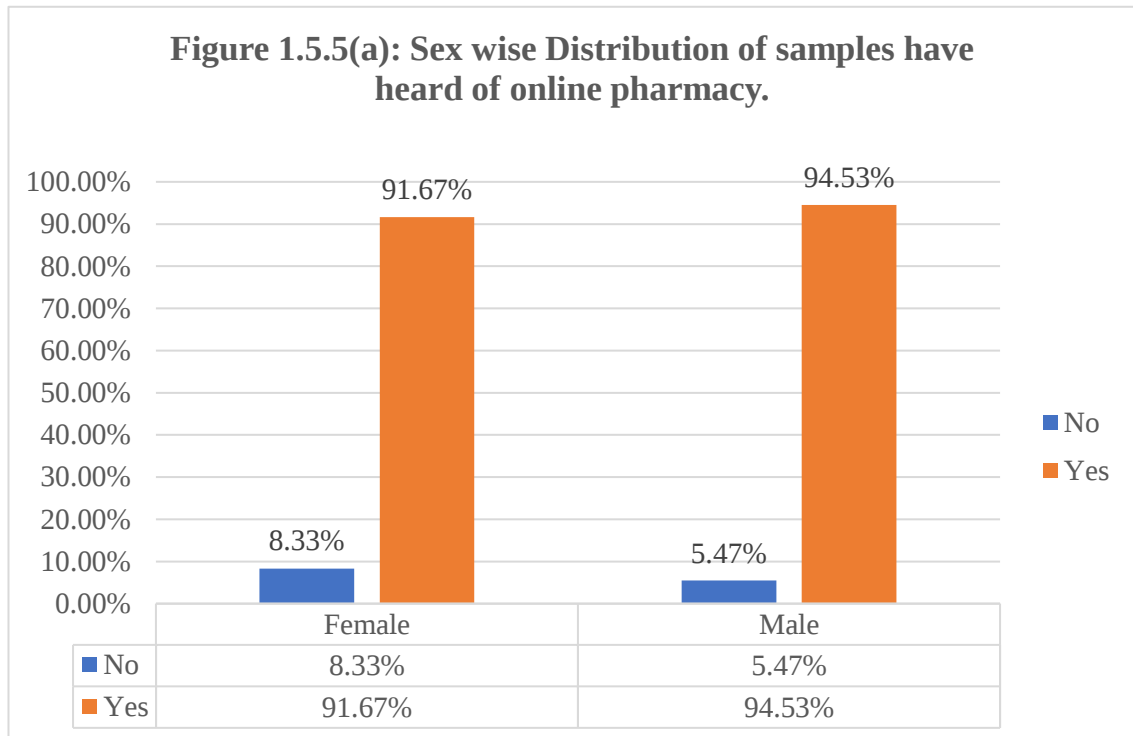


In the figure 1.5.4(b) individual sex category male and female are considered as 100% and out of that individual category there are two types of samples divided, one who do online shopping (males & females) and another one who do not do online shopping (male and & females). And the figure 1.5.4(b) shows the results.

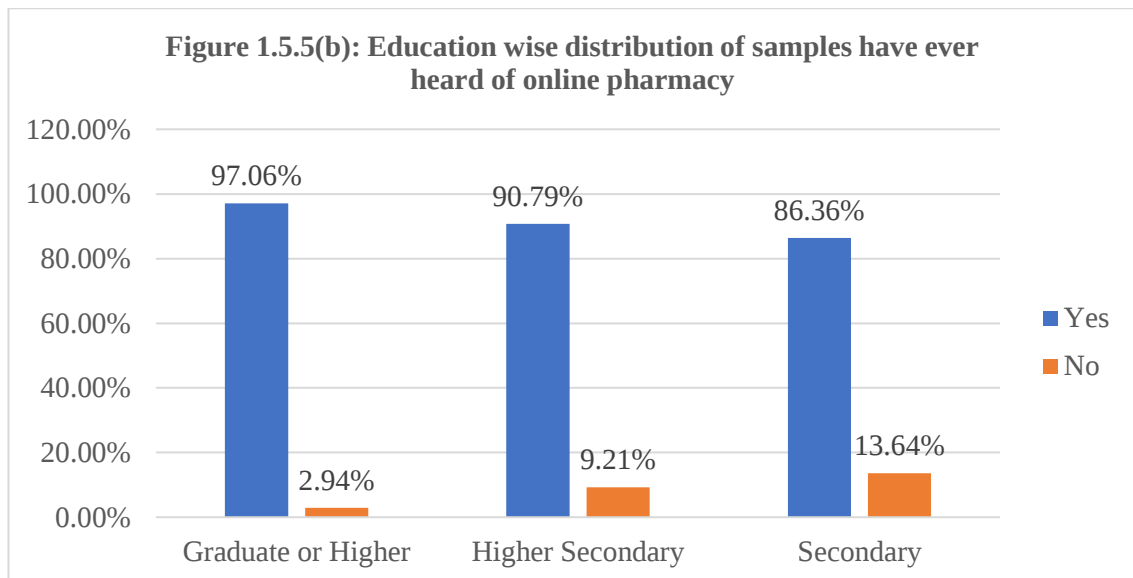


1.5.5 Distribution of samples have heard of online pharmacy.

In the figure 1.5.5(a) individual sex category male and female are considered as 100% and out of that individual category there are two types of samples divided, one who have heard of online pharmacy (males & females) and another one who haven't heard of online pharmacy (male and & females). And the figure 1.5.5(a) shows the results.

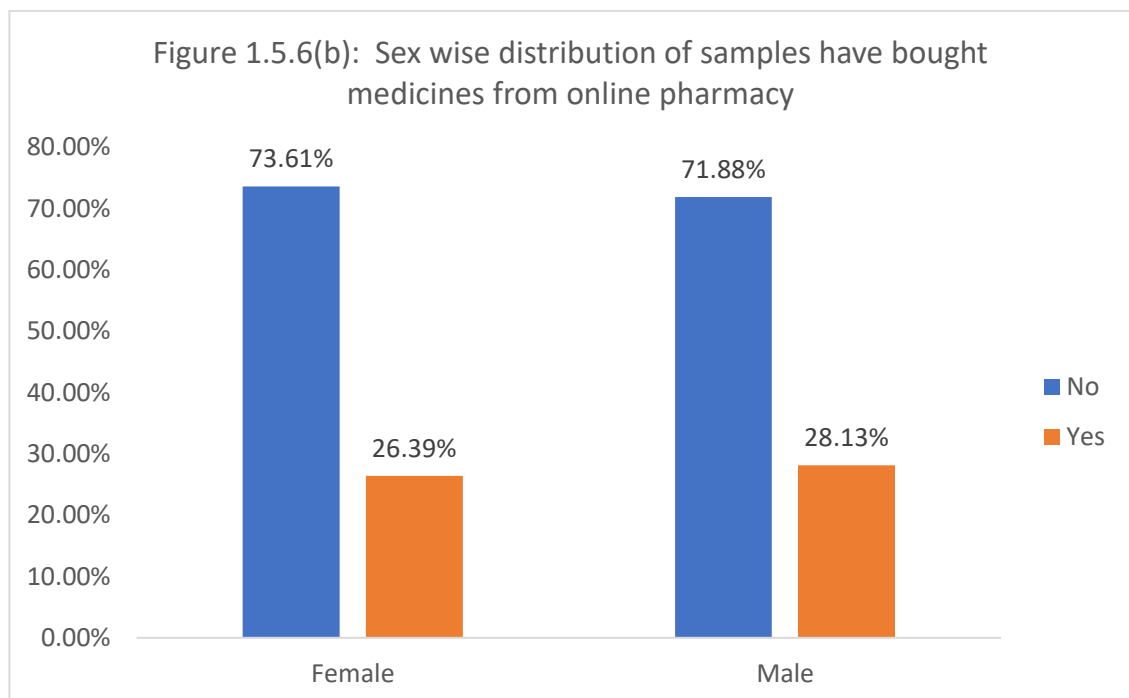


In the figure 1.5.5(b) individual Education categories are considered as 100% and out of that individual category there are two types of samples divided, one who have heard of online pharmacy and another one who haven't heard of online pharmacy. And the figure 1.5.5(b) shows the results.

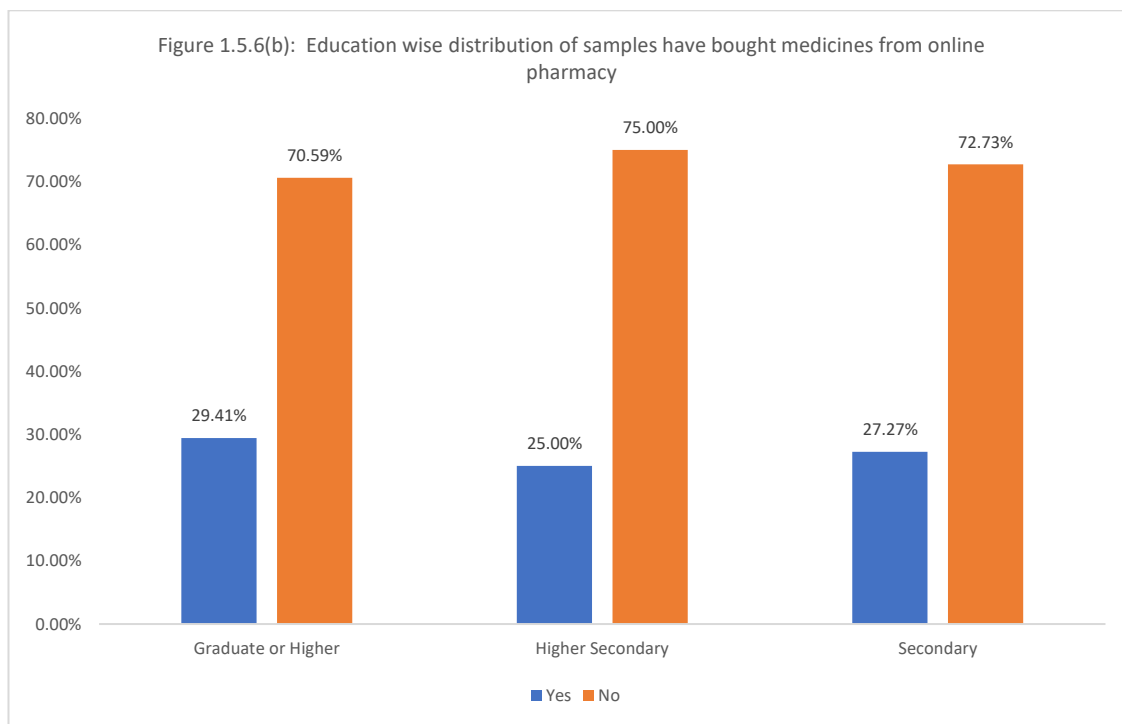


1.5.6 Distribution of samples have bought medicines online.

In the figure 1.5.6(a) individual sex category male and female are considered as 100% and out of that individual category there are two types of samples divided, one who have bought medicines from online pharmacy (males & females) and another one who haven't bought medicines from online pharmacy (male and & females). And the figure 1.5.6(a) shows the results.

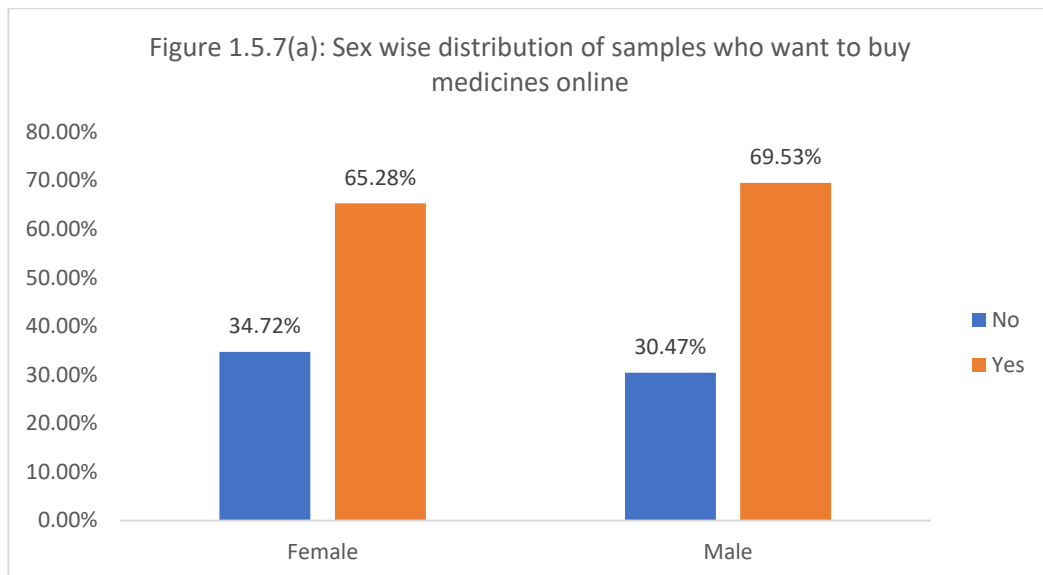


In the figure 1.5.6(b) individual Education categories are considered as 100% and out of that individual category there are two types of samples divided, one who have bought medicines from online pharmacy and another one who haven't bought medicines from online pharmacy. And the figure 1.5.6(b) shows the results.

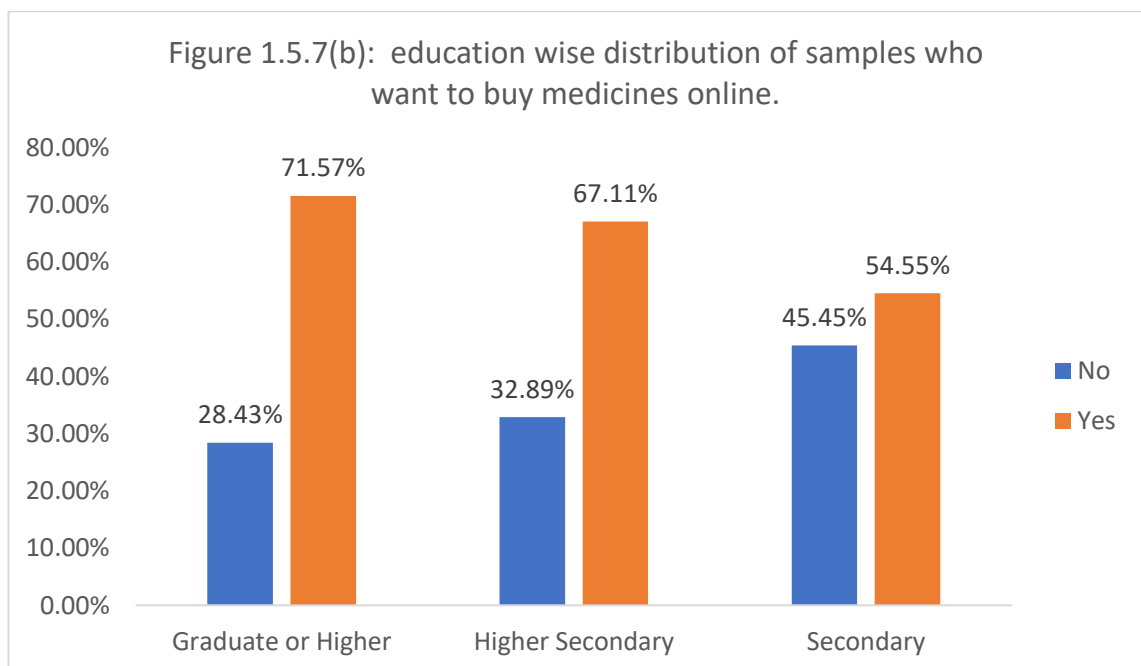


1.5.7 Distribution of samples prefer to buy medicines online.

In the figure 1.5.7(a) individual sex category male and female are considered as 100% and out of that individual category there are two types of samples divided, one who prefer to buy medicines from online pharmacy (males & females) and another one who do not prefer to buy medicines from online pharmacy (male and & females). And the figure 1.5.7(a) shows the results.



In figure 1.5.7(b) the total of all education categories (200) is considered as 100% and out of that each individual category there are two types of samples divided, one who prefer to buy medicines from online pharmacy and another one who do not prefer to buy medicines from online pharmacy. And the figure 1.5.7(b) shows the results.



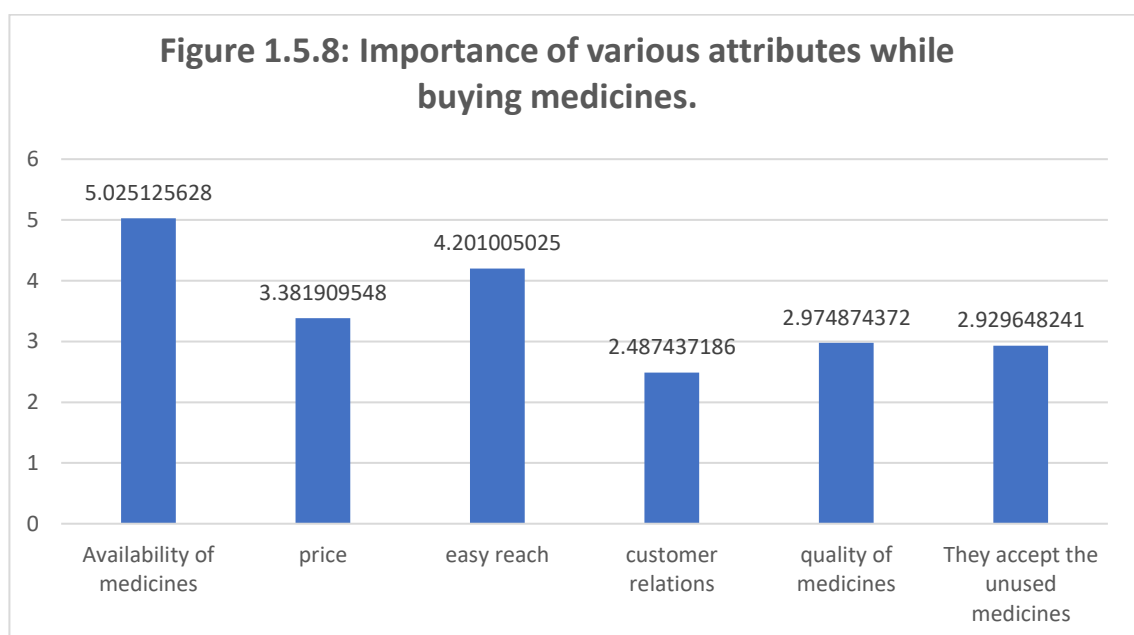
1.5.8 Rating of various attributes according to respondents

In this study we have taken 6 attributes to evaluate the perception of people while making decision to purchase medicines. These six attributes are Availability of

medicines, Price of medicines, Accessibility, Customer Relations, Quality of Medicines and the acceptability of pharmacy to accept unused medicines.

As there are six attributes so the respondents were asked to rate all six attributes from one to six where 1 shows least rating and importance of attribute and 6 shows highest rating and importance of attribute. Then the mean value of each attribute was calculated and the figure 1.5.8 shows the mean value of each attribute calculated.

We observed that the availability of medicines has the highest mean value 5.02 and has highest importance, and customer relations has the least mean value 2.48. so we can say now days customers are more focused at their convenience but not at their relations with the seller.

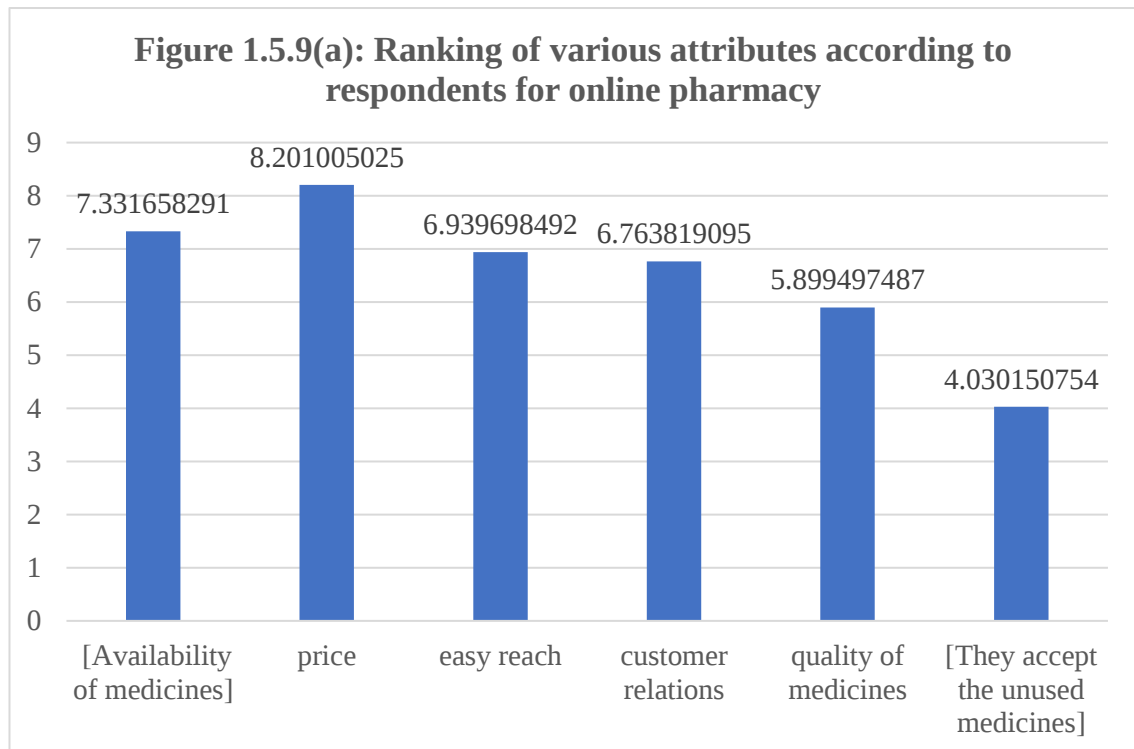


1.5.9 Ranking of various attributes according to respondents for online and offline pharmacy

In this study we have taken 6 attributes to evaluate the perception of people while making decision to purchase medicines from online and offline pharmacy. These six attributes are Availability of medicines, Price of medicines, Accessibility, Customer Relations, Quality of Medicines and the acceptability of pharmacy to accept unused medicines.

As there are six attributes so the respondents were asked to rank all six attributes from one to ten where 1 shows lowest ranking and importance of attribute and 10 shows

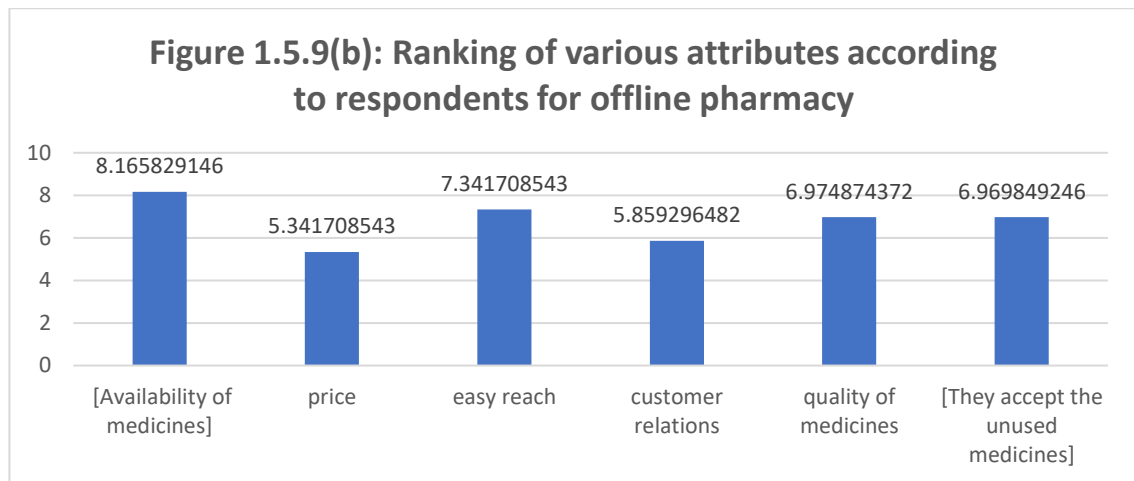
highest rating and importance of attribute. Then the mean value of each attribute was calculated and the figure 1.5.9(a) shows the mean value of each attribute calculated. We observed that the price of medicines has the highest mean value 8.20 and has highest importance, and the acceptability of unused medicines has the lowest mean value 4.03. so, we can say that when customers buy medicines from online pharmacy, customers focus at the price first as most of the online pharmacy attract customers with high discount, cashback offers and various discount coupons.



The figure 1.5.9(b) shows the perception of customers about offline pharmacy.

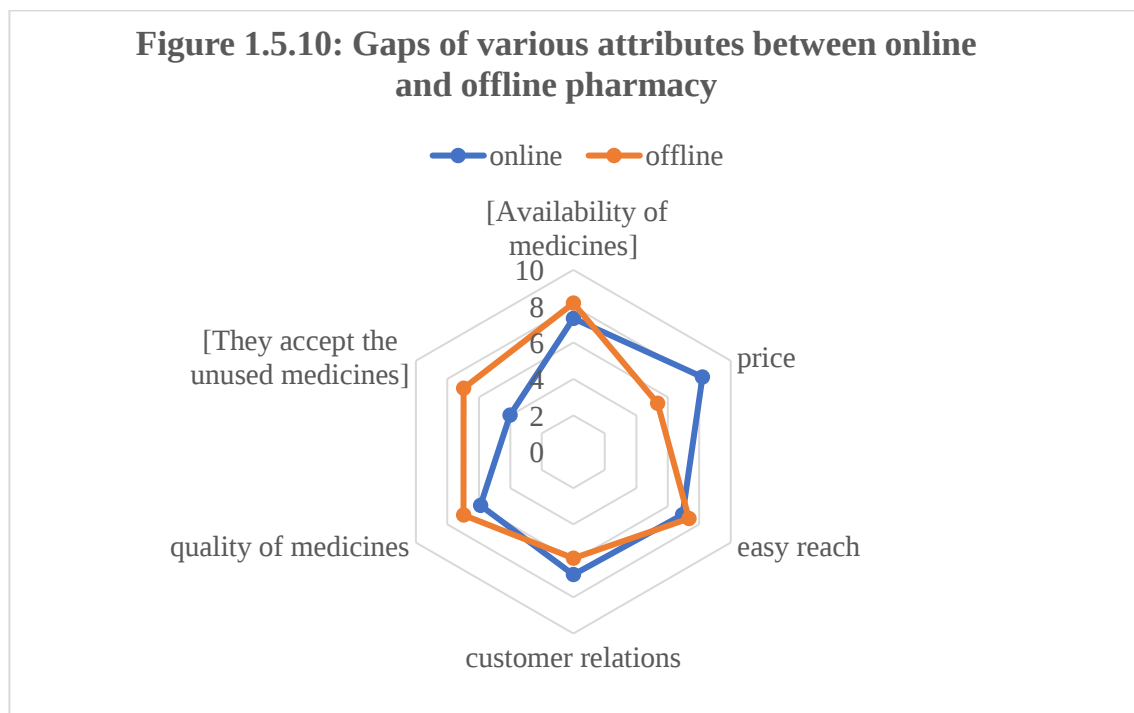
The mean value of each attribute calculated.

We observed that while buying medicines from offline pharmacy the availability of medicines has the highest mean value 8.16 and has highest importance, and price medicines has the lowest mean value 5.34. so we can say that when customers buy medicines from offline pharmacy, customers focus at the availability of medicines first as most of the offline pharmacies store all the medicines prescribed by nearby doctors at their range of area and they are least focused at price of medicines because there are very few pharmacies give discount on prescription medicines.



1.5.10 Product market fit analysis

The figure 1.5.10 shows the radar chart of mean value of all six attributes for online and offline pharmacy. Here we can see that four attributes (Availability of medicines, Accessibility, Quality of medicines and acceptability of unused medicines) of offline pharmacy have higher rating compared to same attributes of offline pharmacy. So, these are the attributes that online pharmacies should work at to fill the gap and make online business of medicines a greater success. Where if we see that accessibility to get medicines has the minimum gap of 0.40 which is easiest to fill and followed by availability of medicines 0.83, Quality of medicines 1.07 and finally the difficult gap to fill is their acceptability to accept unused medicines 2.93.



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